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IN THE

Supreme Court of the United States

OCTOBER TERM, 1968

No. 415

ROBERT J. EBBERT
and
DESIGN PRODUCTS CORPORATION
Petitioners
v.
EDWARD J. BRENNER, COMMISSIONER
OF PATENTS
Respondent

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

Robert J. Ebbert and Design Products Corporation pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the District of Columbia Circuit, entered in the above-entitled case on May 23, 1968.

OPINIONS BELOW

The opinions of the Commissioner of Patents (JA 36, 37) and of the United States District Court for the District of Columbia (JA 131-133) have not been reported. That of the United States Court of Appeals for the District of Columbia Circuit has been reported only at 157 USPQ 609. All three opinions, together with the judgments of the courts below, are appended to this petition as Appendices A, B and C respectively.

JURISDICTION

The judgment of the United States Court of Appeals for the District of Columbia Circuit sought to be reviewed was dated and entered on May 23, 1968. There has been no order respecting a rehearing and no order granting an extension of time within which to petition for certiorari. Jurisdiction of this Court is invoked under Title 28 USC, Sections 1254(1) and 2101(c).

QUESTION PRESENTED

Did the Commissioner of Patents deprive petitioners of property without due process of law by declaring petitioners' allowed application for patent irrevocably forfeited for failure of petitioners to make timely payment of the issue fee, where the petitioners were unaware of the default due to an error which the Commissioner acknowledges was unavoidable and the Commissioner failed to give the customary notice of default within the three months grace period for late fee payment provided by Title 35 USC, Section 151?

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

Constitution of the United States, Fifth Amendment:

> "No person shall be . . . deprived of . . . property without due process of law."

Title 35, USC, Section 133, Act of July 19, 1952, c. 950, Sec. 1, 66 Stat. 801:

> "§133. Time for prosecuting application
>
> "Upon failure of the applicant to prosecute the application within six months after any action therein, of which notice has been given or mailed to the applicant, or within such shorter time, not less than thirty days, as fixed by the Commissioner in such action, the application shall be regarded as abandoned by the parties thereto, unless it be shown to the satisfaction of the Commission that such delay was unavoidable."

Title 35 USC, Section 151, as amended July 24, 1965, Pub. L. 89-83, Sec. 4, 79 Stat. 260:

> "§151. Issue of patent
>
> "If it appears that applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant. The notice shall specify a sum, constituting the issue fee or a portion thereof, which shall be paid within three months thereafter.
>
> "Upon payment of this sum the patent shall issue, but if payment is not timely made, the application shall be regarded as abandoned.
>
> • • • • •
>
> "If any payment required by this section is not timely made, but is submitted with the fee for delayed payment within three months after the due date and sufficient cause is shown for the late payment, it may be accepted by the Commissioner as though no abandonment or lapse had ever occurred."

STATEMENT OF THE CASE[1]

This is an action under the Administrative Procedure Act, Title 5 USC, Sections 701-706; and Title 28 USC, Section 1361 seeking an order directing the Commissioner of Patents to revive an application for patent which had been abandoned because of a delay in paying the issue fee.

Petitioner Robert J. Ebbert applied for a patent, the application being assigned to petitioner Design Products Corporation. After examination procedure, the respondent, Commissioner of Patents, sent a "Notice of Allowance and Issue Fee Due" which was received by petitioners' attorney. Due to what the Commissioner agrees was an unavoidable error petitioners' attorney paid the issue fee in another allowed application in the belief that it was being paid in the application here involved. As a result, the issue fee in this case was not paid within the three months provided by law or the additional three months grace period during which the Commissioner could have accepted it "upon sufficient cause shown" under the authority of 35 USC 151. The Patent Office failed to send the usual notice to petitioners or their attorney of the fact that the fee had not been paid or that the application had become abandoned after the first three months period.[2] As a result of this failure petitioners did not discover the default within the three months additional grace period.

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[1] The facts herein stated are not disputed and are largely set forth in the composite copy of the complaint and answer filed in this case which was attached to petitioner's Motion for Summary Judgment (JA 27-33) and is Appendix D of this Petition.

[2] See Notices (JA 23-26) which are representative notices of this type given in other allowed applications before and after the default in the present case.

Petitioners' attorney, upon discovering the error, promptly tendered the issue fee and petitioned the Commissioner to revive the abandoned application. In support of the petition petitioners asserted that the delay was "unavoidable" within the meaning of 35 USC 133 and that therefore the application should be revived. The Commissioner, while agreeing that petitioners had shown that the delay was "unavoidable," held that Section 133 did not apply to the payment of issue fees, and refused the tendered issue fee on the ground that he had no statutory authority to accept it once the grace period provided in Section 151 had expired.

Suit was brought by petitioners against the Commissioner in the United States District Court for the District of Columbia. Jurisdiction was founded on Title 5, USC, Sections 701 through 706 and Title 28 USC, Sections 1331 and 1361. The suit requested the Court to direct the Commissioner to accept the late tender of issue fee and grant the patent on the ground that he had authority to do so under 35 USC, Section 133 and also because failure to do so would deprive the applicant of a valuable property right in violation of the Fifth Amendment of the United States Constitution.

The District Court held that 35 USC 133 applied to cases of unavoidable delays in the payment of issue fees and granted petitioners' motion for summary judgment. The respondent appealed to the United States Court of Appeals for the District of Columbia Circuit.

The Court of Appeals reversed, holding that 35 USC 133 does not apply to the payment of issue fees but only to actions taken by an applicant prior to allowance of his application. It also held that the original Notice of Allowance and Issue Fee Due satisfied the requirements of due process because it contained the statement that "payment must be made within three months of the date of this Notice or the patent will become abandoned (forfeited)."

REASONS WHY THE WRIT SHOULD BE GRANTED

The writ should be granted to settle an important question and to correct an erroneous judgment which is in conflict with the principles of due process enunciated by this court in such cases as *Lambert v. California*, 355 US 225, 78 S. Ct. 240, 2L Ed. 2d 228 (1957); *Covey v. Somers*, 351 US 141, 76 S. Ct. 724, 100L Ed. 1021 (1955) and *Mullane v. Central Hanover Trust Co.*, 339 US 306, 70 S. Ct. 652, 94L Ed. 865 (1949). Prior to this case, neither this nor any Court has ruled upon the question of whether the requirements of due process must be satisfied before an allowed application for patent is forfeited for a delay in paying the issue fee.

While the specific question presented can arise only in Patent Office proceedings, the principle involved is applicable to a much wider range of administrative proceedings. To put the question in its broadest aspect, it might be stated thus:

> May property be forfeited for default in payment of a fee without notice of the default and an opportunity to be heard and to rectify an excusable default?

In the patent field alone the question is an important one that is likely to arise with considerable frequency in view of the short period allowed by statute[3] for payment of final fees and the undeniable fact that to err is human. Public interest does not require that valuable rights be put at risk on such an arbitrary and harsh basis.

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[3] Section 151 Title 35 USC was amended by the Act of July 24, 1965, Public Law 89-83, 79 Stat. 260, effective October 24, 1965, to reduce the time for payment of the issue fee from six months to three months and the grace period for late payment from twelve months to three months.

At the threshold, there can be no real basis for the doubt expressed by the Court of Appeals that ownership of an allowed application for patent is a property interest protected by the due process clause. Certainly an issued patent is property so protected, *Hartford Empire Co. v. United States*, 323 US 386, *415*; 65 S. Ct. 373, 89L Ed. 322, *362-3* (1944). See also 35 USC 261. At very least, ownership of an allowed application represents a right to acquire property, which is one of the attributes of property protected by the due process clause of the Fifth Amendment. *Buchanan v. Warley*, 245 US 60, *74*, 38 S. Ct. 16, 62L Ed. 149, *161* (1917). The patent statutes (35 USC 261) provide for the assignment of applications for patents, and the Internal Revenue Code, Title 26 USC, Section 1235 treats gains made on the sale of patent applications as capital gains realized on the sale of property. When this section was enacted (August 16, 1954, c. 736, 68A Stat. 329) the Joint Conference Report indicates that the conferees changed the clause "all substantial rights evidenced by a patent" to "all substantial rights to a patent" to make clear that the section applies to transfers prior to the issuance of a patent (H. R. Rep. No. 2543, 83 Cong. 2d Sess. 70, 1954). The Senate Report on the bill also makes clear that it was intended to apply to pending applications (Senate Report No. 1622, 83 Cong. 2d Sess. 439, 1954).

Finally, transfers of patent applications which do not meet the requirements of 26 USC 1235 are treated as sales of property held by the taxpayer under the general capital gains provision of the tax law. *Merck & Co. v. Smith*, 261 F.2d 162, CA 3 (1958); *Edward C. Meyers*, 6 T. C. 258; *Allen v. Werner*, 190 F.2d 840, CA 5 (1951), and *Commissioner v. Hopkinson*, 126 F.2d 406, CA 2 (1942).

The decision of the Court below is in clear conflict with the decisions of this Court to the effect that the Fifth Amendment of the Constitution prohibits forfeiture of valuable property rights for mere failure to act unless the owner is given notice of the failure or of the existence of conditions which place his property in jeopardy and an opportunity to be heard. This requires that he be given an opportunity to explain or rectify an excusable lapse. In *Lambert v. California*, 355 US 225, *228* (1957) this Court said:

> "Engrained in our concept of due process is the requirement of notice. Notice is sometimes essential so that the citizen has the chance to defend charges. Notice is required before property interests are disturbed, before assessments are made, before penalties are assessed. Notice is required in a myriad of situations where a penalty or forfeiture might be suffered for mere failure to act."

The Court of Appeals ruling, that the original Notice of Allowance fulfilled the requirements of due process merely because it stated that "payment must be made within three months of the date of this notice or the patent will become abandoned (forfeited)," is in direct conflict with the decision in *Mullane v. Central Hanover Bank & Trust Co.*, 339 US 306 (1949) in which this Court held that merely sending beneficiaries of a trust account copies of a statute which permitted notice of judicial settlement of the account by newspaper publication, would not satisfy the requirements of due process, in the absence of actual notice that steps were being taken affecting their interests. This Court said:

> "An elementary and fundamental requirement of due process in any proceeding which is to be accorded finality is notice reasonably calculated under all the circumstances, to apprise interested parties of the *pendency of the action* and afford them an opportunity to present their objections." (Emphasis supplied.)

The language in the Notice of Allowance (JA 54) referring to abandonment merely repeats the statutory language, as did the original notice in the Mullane case. Both were prospective only, and neither satisfied the constitutional requirement of adequate notice because neither gave notice of the event that *had occurred* and which put the property rights at risk. A somewhat analogous situation was dealt with by this Court in *Morgan v. United States,* 304 US 1, 58 Sup. Ct. 773, 82 L Ed. 1129 (1937) in which the initial notice of hearing was held insufficient in the absence of specific notice of the basis for the threatening action.

The original Notice of Allowance (JA. 54) is merely a printed form which is so commonplace in the operations of a busy patent practitioner that it is treated merely as a notice that the issue fee is due, which sets in operation the administrative and clerical acts required to effect payment. It cannot serve to alert anyone to an unintended and unknowing default in payment, which can easily occur through clerical error or loss in the mail.

If the Court of Appeals decision is allowed to stand, the mere mailing by the Patent Office of the Notice of Allowance will start the running of the period for paying the issue fee even if this notice is lost in the mail and is never received by the applicant, and after the six months has expired the Commissioner of Patents would have absolutely no authority to accept the issue fee and applicant's patent rights would be forever lost, regardless of whether any Notice of Default was sent and irrespective of the cause of delay in payment. This is certainly not "due process."

Petitioner urged below, and the District Court agreed, that 35 USC, Section 133 is also applicable to the payment of issue fees. This remedial section of the statute permits

the Commissioner of Patents to revive an abandoned application if it is shown to his satisfaction that a delay in prosecuting the application after "any" action therein was "unavoidable". By this section Congress has provided the essentials of due process. The Commissioner has conceded that the delay was unavoidable within the meaning of Section 133 if it applies, and thus petitioners are entitled to its benefit.

Even if 35 USC, Section 133 does not apply to the payment of issue fees, this Court is not powerless to insist on compliance with Constitutional standards. The Commissioner of Patents has the inherent duty and authority to see that the Constitutional safeguards against deprivation of property are preserved for owners of allowed patent applications by the procedures that he employs. To be consistent with the principles enunciated by this Court, his duty should take the form of either (1) a specific notice of default to the applicant within the grace period provided by law (35 USC 151) for late acceptance of the issue fee,[4] or (2) if no such notice is given, an opportunity for the applicant to explain the reasons for delay in payment beyond the grace period, analogous to the safeguard found in Section 133 for non-allowed applications. Coupled with this inherent right of the Commissioner should be his authority to accept late payment of the fee, either within the grace period if adequate notice is given, or outside the grace period if no notice is given and an adequate showing made.

Such a ruling by this Court would not in any way impair the intent of Congress in expediting the issuance of

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[4] It is now and has been the custom of the Commissioner of Patents to give such a notice but none was given in this case due to an unusually heavy workload during the brief period which was critical to this case (JA 50-51).

patent applications and thus making new technology available to the public at an earlier date. This purpose is accomplished by the 1965 Amendment to Section 151, in the usual case. It would be unreasonable to conclude that Congress, although willing to be liberal in excusing unavoidable delay in prosecuting rejected applications under 35 USC 133, intended to brush aside the safeguards of the due process clause and deny the Commissioner of Patents the right to accept a late issue fee in an allowed application where the delay is equally excusable.

CONCLUSION

For the foregoing reasons, this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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